

# NEWS RELEASE

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For Immediate Release  
February 16, 2006

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## **Former Air Freight Executive Pleads Guilty To Inflating Invoices for Baghdad Shipments**

### ***KBR Paid \$1.14 Million "War Risk Surcharge" to Subcontractor EGL***

ROCK ISLAND, IL – The United States Attorney for the Central District of Illinois, Rodger A. Heaton, announced that a former Eagle Global Logistics, Inc. executive pled guilty today to inflating invoices by \$1.14 million in fraudulent "war risk surcharges" for military cargo shipments from Dubai to Baghdad under EGL's subcontract with Kellogg, Brown and Root. Christopher Joseph Cahill, 51, of Katy, Texas, appeared before U.S. District Judge Michael M. Mihm in Rock Island, Illinois, where sentencing has been scheduled for May 26, 2006.

U.S. Attorney Heaton said, "U.S. taxpayers are asked to carry a significant burden during times of war. But, they will not be asked to tolerate merchants of war who seek to profit unlawfully from legitimate war-time expenditures. Mr. Cahill's guilty plea to a felony charge is the appropriate outcome for such criminal conduct."

Cahill served as EGL's regional vice president for the Middle East and India and was stationed at its regional office in Dubai from October 1, 2002 through April 8, 2005. In that capacity, Cahill was the highest-ranking EGL official in the region concerning the military shipments to Baghdad through EGL's subcontract with KBR under the LOGCAP III prime contract.

The U.S. Army program known as LOGCAP (Logistics Civil Augmentation Program) uses civilian contractors to support the logistical needs of the U.S. military forces. In December 2001, the LOGCAP III prime contract was awarded to KBR by the U.S. Army Operations Support command, with headquarters at the Rock Island Arsenal in Rock Island, Illinois, and is administered by the Army Field Support Command, also at the Rock Island Arsenal.

In the plea agreement and during court proceedings, Cahill admitted that he decided to add a "war risk surcharge" of \$.50 for each kilogram of freight transported to Baghdad after he learned that an EGL competitor was seeking "war risk" insurance to resume air cargo flights into Baghdad after the competitor's cargo plane had been shot down in Iraq in November 2003. At the time, however, Cahill knew that the Middle-Eastern air charter company EGL had contracted with to perform the air cargo flights had not instituted such a fee.

(More)

From about November 22, 2003, through July 20, 2004, approximately 379 air cargo shipments of military goods from Dubai to Baghdad were completed under EGL's subcontract with KBR. The total amount of the EGL invoices was approximately \$13.26 million including \$1.14 million in fraudulent war risk surcharges.

Cahill further admitted that when he became aware of a government investigation of EGL's charging of war risk surcharges to KBR, in March 2005, he directed a subordinate employee to create fraudulent invoices purportedly documenting the war risk surcharge billed to EGL.

The maximum statutory penalty for the offense of major fraud against the United States is 10 years in prison, a fine of \$5 million, or both.

The agencies conducting the investigation were the Defense Criminal Investigative Service, Houston, Texas, and the Federal Bureau of Investigation, Springfield Division. Also participating in the investigation were the Internal Revenue Service, Criminal Investigation Division, and the U.S. Army Criminal Investigation Division, North Central Fraud Field Office.

The case is being prosecuted by Jeffrey B. Lang, Supervisory Assistant U.S. Attorney, Rock Island Division; Gregory R. Walters, Assistant U.S. Attorney, Peoria Division; and John Michelich, Senior Trial Attorney, Criminal Division, Fraud Section, U.S. Department of Justice.

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